

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of CenterPoint
Energy for Authority to Increase Natural Gas
Rates in Minnesota

ISSUE DATE: April 18, 2007

DOCKET NO. G-008/GR-05-1380

ORDER ACCEPTING COMPLIANCE
FILING AS MODIFIED AND APPROVING
REFUND PLAN

PROCEDURAL HISTORY

On November 2, 2005, CenterPoint Energy (CenterPoint), a division of CenterPoint Energy Resources Corp., asked the Commission to authorize CenterPoint to increase rates for the provision of regulated natural gas service, among other things. In particular, CenterPoint sought permission to increase rates on an interim basis while the Commission considered the merits of CenterPoint's request, with the understanding that CenterPoint would refund to ratepayers revenues from any amount of the rate increase that the Commission did not subsequently approve.

On December 21, 2005, the Commission issued an Order authorizing CenterPoint to increase rates on an interim basis pending the outcome of the rate case, subject to refund.

On November 2, 2006, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER granting some but not all of CenterPoint's requests, with conditions. The Order directed CenterPoint to file draft tariffs implementing the Order and to refund a portion of the interim rate increase. The Commission issued a clarifying Order on January 22, 2007.

On January 24, 2007, CenterPoint submitted a compliance filing, including a proposed refund plan.

On February 23, 2007, the Minnesota Department of Commerce (the Department) recommended that the Commission accept the compliance filing with various modifications, and approve the refund plan.

On February 28, 2007, CenterPoint replied to the Department's comments.

The matter came before the Commission on March 29, 2007.

FINDINGS AND CONCLUSIONS

I. COMPLIANCE FILING REQUIREMENTS

As noted above, the November 2, 2006 Order directed CenterPoint to make a compliance filing. Among other things, CenterPoint was to do the following:

- File revised schedules of rates and charges reflecting the Commission's decisions, including the Commission's decisions about how CenterPoint's cost of providing service would be allocated among various classes of customers.
- File data regarding the recovery of costs related to programs designed to conserve energy.
- File a plan for refunding the portion of the interim rate increase that exceeded the amount of the final rate increase.

II. COMMISSION ANALYSIS AND ACTION

A. In General

By the time of the Commission hearing, CenterPoint had agreed to all of the Department's recommended modifications to its compliance filing, with the exception of two issues:

- How the cost of CenterPoint's new Gas Affordability Service Program would be allocated among the various classes of CenterPoint's customers.
- When CenterPoint must resubmit 1) Conservation Improvement Program (CIP) tracker account information – including rates, revenues, expenses, and ending balances – regarding the period for which interim rates were in effect, and 2) CIP tracker account information showing the amount of conservation cost recovery charge (CCRC) revenues CenterPoint over-collected because interim rates exceeded the final rates approved by the Commission.

With the exception of these two issues, the parties' filings demonstrate the reasonableness of CenterPoint's compliance filing as modified by the Department. The Commission will approve those portions of the compliance filing, including the refund plan.

The Commission will now address the disputed issues in turn.

B. Allocation of the Gas Affordability Service Program's Cost

The Commission authorized CenterPoint to initiate a Gas Affordability Service Program designed to subsidize natural gas service for certain low-income customers, consistent with Minnesota

Statutes § 216B.16, subdivision 15. The Commission directed CenterPoint to allocate the cost among all its firm customers.

CenterPoint, however, proposes to exempt customers – including firm customers – receiving service under its Market Rate Service Rider. Unlike most customers, market rate customers have the ability to switch to another fuel source. CenterPoint expresses concern that allocating program costs to these customers could prompt them to seek fuel elsewhere.

While acknowledging that its proposal does not match the literal meaning of the Commission's Order, CenterPoint argues that the Commission did not mean to allocate the program's costs to price-sensitive customers. CenterPoint notes that the Commission refrained from allocating the program's costs to other price-sensitive customers such as interruptible customers. Moreover, the fact that during the rate case CenterPoint had no customers in either the Large General Firm Sales class or the Large General Firm Transportation Service class meant that no party considered the needs of, nor expected revenues from, these customer classes. However, CenterPoint reports that it expects a customer to subscribe for one of these classes soon; this fact has focused new attention on the needs of such customers.

In contrast, the Department and the Residential and Small Business Utilities Division of the Office of the Attorney General (RUD-OAG) note that the Order expressly directs CenterPoint to allocate the costs among "all its firm customers." These parties regard CenterPoint's arguments as an untimely effort to seek reconsideration of the Order. The purpose of compliance filings is to comply with the Commission's Order, not to reconsider it. Because CenterPoint's proposal does not comply, the Department and RUD-OAG recommend rejecting it.

The Commission finds merit in the arguments of the Department and RUD-OAG. Whatever the merits of CenterPoint's claims, CenterPoint should have raised them in a motion for reconsideration; the time for such motions has passed. If CenterPoint wishes to pursue this matter, it will need to petition to do so in a separate proceeding wherein the issue may be more fully examined. A compliance filing is not an appropriate forum to address this issue. In the meantime the Commission will decline to exempt the Large General Firm Sales and Large Volume Firm Transportation customers from bearing their share of the cost of the Gas Affordability Service Program, and will again direct CenterPoint to allocate the program's costs among all its firm customers.

C. Timing of CIP Tracker Account Filings

CenterPoint implements Conservation Improvement Program (CIP) projects as part of its effort to promote energy conservation as required by Minnesota Statutes § 216B.241. CenterPoint recovers its CIP program costs through a conservation cost recovery charge (CCRC) assessed on each dekatherm (dth) of gas consumed by a customer. CenterPoint then tracks both its CIP costs and its CCRC revenues in a "tracker" account. In a rate case the Commission adjusts the amount of the CCRC to reflect changes in the cost of CIP programs or the amount of gas sold, and to offset any current imbalance in the tracker account.

The Commission approved an interim CCRC of \$0.05242 per dth. CenterPoint calculates a final CCRC of \$0.04494 per dth.

The November 2, 2006 Order directs CenterPoint to file schedules showing 1) the CIP tracker account balance at the time CenterPoint began charging interim rates, 2) CIP costs incurred and CCRC revenues received as CenterPoint has been charging interim rates, and 3) the CIP tracker account balance at the time CenterPoint begins charging its new rates. The Department notes, however, that CenterPoint cannot yet report the amount of the account balance when new rates take effect, simply because it has not yet happened. Thus, the Department proposes that CenterPoint resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 10 days after final rates become effective.

In addition, CenterPoint states that it generally uses the interim rates CCRC to track CIP recoveries from the beginning of the test year until final rates are determined. Consistent with past Commission practice, CenterPoint proposes to make an accounting entry to restate the CIP tracker account balance on the date final rates are implemented. The Department proposes that CenterPoint resubmit, within 10 days after final rates become effective, the CIP tracker account with a supporting schedule showing the difference between revenues collected at the interim CCRC of \$0.05242 per dth and revenues that would have been collected with the final CCRC of \$0.04494 per dth from the beginning of the test year to the effective date of final rates, together with the associated accounting entry in the CIP tracker account.

CenterPoint does not object to the substance of the Department's proposals, but argues that assembling all the data and completing the accounting may require additional time. CenterPoint proposes filing the required information within 20 days of the date it implements final rates.

The Commission finds merit in CenterPoint's request. The Commission appreciates the work on the part of all parties in resolving the many technical compliance issues, and the work that remains to implement the changes. The benefits of archiving a complete and accurate accounting for implementing the new rates are worth delaying the receipt of CenterPoint's data by an additional ten days.

ORDER

1. The Commission accepts and adopts CenterPoint's compliance filing as modified herein, including the following:
 - A. CenterPoint shall implement new, final "base" rates on May 1, 2007 by "dropping in" final rates on customer bills starting on May 1, 2007.
 - B. CenterPoint shall implement the \$0.00482 per therm Gas Affordability Service Program rate on a prorated basis, effective May 1, 2007, for services rendered on and after May 1, 2007.
 - C. CenterPoint shall implement its interim rate refund plan as filed for all customers. CenterPoint shall not assess customers subscribed to the No Surprise Bill® (NSB®) program for the cost of the Gas Affordability Service Program until the start of the 2007-2008 NSB® program year when the charge for the NSB® program can be included in bill quotes for the 2007-2008 NSB® program year.

- D. CenterPoint shall submit, within 10 days of the completion of the refunds for all of its system (sales) customers, non-system (transportation) customers and NSB® customers, compliance filings that separately show the actual refunds and interest paid by rate area and class including the calculations.
- E. CenterPoint shall change, in Section VIII of the proposed tariff for the Gas Affordability Service Program, the following tariff page references:
- Change "Third Revised Page 2 Replaces Second Revised Page 2" to "Fourth Revised Page 2 Replaces Third Revised Page 2," and
 - Change "Third Revised Page 3 Replaces Second Revised Page 3" to "Fourth Revised Page 3 Replaces Third Revised Page 3."
- F. CenterPoint may not adopt its proposed tariff provision concerning the Gas Affordability Service Program that only includes Residential, Small Volume Commercial and Industrial Sales, and Small Volume Firm Transportation customer classes in both the Northern and Viking service areas of the Gas Affordability Service Program tariff.
- G. CenterPoint may not exempt the Large General Firm Sales and Large Volume Firm Transportation classes from paying the recovery rate for the Gas Affordability Service Program.
- H. CenterPoint shall submit within 10 days a revised Gas Affordability Service Program tariff.
- I. CenterPoint shall modify its proposed customer notices for the Northern rate area and the Viking rate area –
- to reflect the May 1, 2007 effective date,
 - to reflect the increased amount of the interim rate refund, and
 - to make the notices consistent with the Commission's decisions to prorate the \$0.00482 gas affordability charge to the May 1, 2007 effective date of the Gas Affordability Service Program.
- J. Decisions regarding CenterPoint's proposed base cost of gas are deferred to Docket No. G-008/MR-07-193, *In the Matter of a Petition to Establish a New Base Cost of Gas to Coincide with the Implementation of Final Rates in Docket No. G-008/GR-05-1380*.
- K. CenterPoint's proposed conservation cost recovery charge of \$0.04494 per dekatherm (dth) is approved for all customer classes.

- L. CenterPoint shall resubmit the conservation improvement plan tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 20 days after final rates become effective.
 - M. CenterPoint shall resubmit, within 20 days after final rates become effective, the CIP tracker account with a supporting schedule that shows the difference between revenues collected at the interim CCRC of \$0.05242 per dth and revenues that would have been collected with the final CCRC of \$0.04494 per dth from the beginning of the test year to the effective date of final rates, together with an associated accounting entry in the CIP tracker account.
 - N. CenterPoint shall make a compliance filing within 60 days providing, by month, the amount of late payment charges reversed or refunded to customers, when the reversals or refunds were made, and any other information that may be useful to the Commission on this matter.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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